



**STATEMENT OF PERFORMANCE
EXPECTATIONS**

For the Year Ending 30 June 2016

The Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the year ending 30 June 2016. It is produced in accordance with the Crown Entities Act 2004, s149E.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the Radio New Zealand Board of Governors in accordance with its role under the Crown Entities Act 2004. It is not intended to update the forecast financial statements subsequent to presentation.



RICHARD GRIFFIN
Chairman



GARY MONK
Audit Committee Chairman

25 June 2015

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ABOUT RADIO NEW ZEALAND

Radio New Zealand is a Crown owned entity and its function and operations are primarily governed by the Radio New Zealand Act 1995.

The key element of the Radio New Zealand Act is the Charter¹ which sets out Radio New Zealand's purpose, function and operating principles as follows:

- 1) Purpose (as set out in the Radio New Zealand Amendment Bill 2009):
 - a) as an independent and commercial-free public service broadcaster, the public radio company's purpose is to serve the public interest;
 - b) freedom of thought and expression are foundations of democratic society and the public radio company as a public service broadcaster plays an essential role in exercising these freedoms;
 - c) the public radio company fosters a sense of national identity by contributing to tolerance and understanding, reflecting and promoting ethnic, cultural, and artistic diversity and expression; and
 - d) the public radio company provides reliable, independent, and freely accessible news and information.

- 2) Charter (as set out in the Radio New Zealand Amendment Bill 2009)

In achieving its purpose, Radio New Zealand must endeavour to provide services of the highest quality which:

 - a) are predominantly and distinctively of New Zealand;
 - b) inform, entertain, and enlighten the people of New Zealand;
 - c) are challenging, innovative, and engaging;
 - d) foster critical thought, and informed and wide-ranging debate;
 - e) stimulate, support, and reflect the diversity of cultural expression, including drama, comedy, literature, and the performing arts;
 - f) stimulate, support, and reflect a wide range of music, including New Zealand composition and performance;
 - g) reflect New Zealand's cultural identity, including Māori language and culture;
 - h) provide awareness of the world and of New Zealand's place in it;
 - i) provide comprehensive, independent, accurate, impartial, and balanced regional, national, and international news and current affairs;
 - j) provide programmes which balance special interest with those of wide appeal, recognising the interests of all age groups;
 - k) contribute towards intellectual and spiritual development;
 - l) include an international service to the South Pacific in both English and Pacific languages;
 - m) take account of services provided by other broadcasters;
 - n) take advantage of the most effective means of delivery; and
 - o) preserve and archive broadcasting material of historical interest.

¹ The Radio New Zealand Amendment Bill has received its second reading and is awaiting enactment by the House of Representatives.

- 3) Operating Principles(as set out in the Radio New Zealand Amendment Bill 2009)
In fulfilling its Charter, Radio New Zealand must:
- a) exhibit a sense of social responsibility by:
 - i. having regard to the interests of the community in which it operates; and
 - ii. endeavouring to accommodate or encourage those interests when able to do so.
 - b) ensure that it is not influenced by the commercial interests of other parties;
 - c) ensure that it operates in a financially responsible manner and, for this purpose, that it:
 - i. prudently manages its assets and liabilities; and
 - ii. endeavours to ensure:
 - its long-term financial viability; and
 - that it acts as a successful going concern.

LIFELINE UTILITY

Radio New Zealand is also a designated Civil Defence Lifeline Utility in accordance with the Civil Defence Emergency Management Act 2002.

This places extra social and legislative responsibilities on RADIO NEW ZEALAND in the event of a declared Civil Defence emergency.

OUR SERVICES

Radio New Zealand has one key output and that is the production and distribution of compelling content that meets our purpose and optimises our charter performance.

Historically when Radio New Zealand was solely a radio company, it treated each service as a separate standalone output. In the new multimedia environment which Radio New Zealand now operates, the emphasis is now on the combined impact of all Radio New Zealand's services rather than just its traditional radio services or that of any service individually.

Our content and audience strategy and business planning are based on this new multimedia approach, whereby each service has a role to play in expanding the combined reach of Radio New Zealand and in doing so, optimising our overall charter performance.

The individual services that currently make up Radio New Zealand's portfolio of channels are as follows:

RADIO NEW ZEALAND NATIONAL	RADIO NEW ZEALAND CONCERT	RADIO NEW ZEALAND INTERNATIONAL	RADIO NEW ZEALAND DIGITAL	THE WIRELESS
<ul style="list-style-type: none"> ■ news and current affairs; ■ lectures and forums; ■ documentaries; ■ drama; ■ music; ■ science; ■ religion; ■ Māori and Pacific programming. 	<ul style="list-style-type: none"> ■ fine music; ■ live concerts; ■ homegrown performances and compositions; ■ international performances and compositions; ■ something to suit every musical taste; and ■ music and arts interviews, features and documentaries. 	<ul style="list-style-type: none"> ■ Pacific news and programming for New Zealand audiences; ■ New Zealand and international news and programming for the Pacific; 	<p>Radionz.co.nz</p> <ul style="list-style-type: none"> ■ Up to the minute News and current affairs; ■ Access to an extensive online library of Radio New Zealand National and Radio New Zealand Concert programming; ■ Livestreaming of programming 	<ul style="list-style-type: none"> ■ web-based with a multimedia approach; ■ news; ■ stories; and ■ commentary.

Radio New Zealand also provides transmission services for the live radio coverage of the proceedings of Parliament.

Each of these services has an existing format and an established audience. However, changes in technology, audience behaviour and New Zealand's demographics mean Radio New Zealand must continually refresh and evolve our output. Over the next five years each service will be regularly re-assessed to ensure that it is still contributing to the overall audience mix and reach of Radio New Zealand.

ACCESS TO OUR SERVICES

With the impact of new technologies and changing audience habits, the number and variety of means that audiences can access Radio New Zealand's programming is growing rapidly and this expansion of options is expected to continue for many years to come.

These are currently as follows:

-
- AM radio networks;
 - FM radio networks;
 - Satellite Television – Sky TV, Freeview, free-to-air;
 - Digital Terrestrial Television - Free-to-Air, Freeview;
 - Website (live streaming, audio-on-demand, podcasts):
 - radionz.co.nz; and
 - thewireless.co.nz;
 - Mobile - iPhone and Android “apps”;
 - Digital Shortwave (Pacific region);
 - Analogue Shortwave (Pacific region);
 - Satellite radio (Pacific region); and
 - Third party distributors of Radio New Zealand content –
eg. iHeartRadio, MSN, Rivet, World Radio Network (WRN), BBC World Service (Pacific stream).
-

It is expected that this list will be added to frequently over the course of the next five years, notably with new online services and partnerships with other content providers to increase our audience reach.

The migration of audiences to new technologies will, over time, result in a decline in audiences using older traditional equipment. As we introduce new means by which audiences can access our programming, existing delivery platforms will also be reviewed to ensure these are still viable.

STRATEGIC PRIORITIES

As outlined in the 2015 – 2020 Statement of Intent, Radio New Zealand has three key strategic priorities, as follows:

1 OPTIMISE OUR CHARTER PERFORMANCE:

Rather than being commercially motivated, our priority is to optimise the achievement of our public service broadcaster responsibilities, as defined by the Charter.

While we will always be open to opportunities to attract non-Government funding, we believe it is important that we retain this public service (and therefore non-commercial) ethos throughout our core services.

2 TRANSFORMATION:

Transforming Radio New Zealand from a traditional radio broadcaster to a modern audience-led multimedia organisation, creating important and unique content and making it available through a variety of delivery platforms, wherever and whenever the audience wants it.

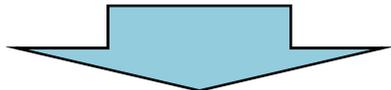
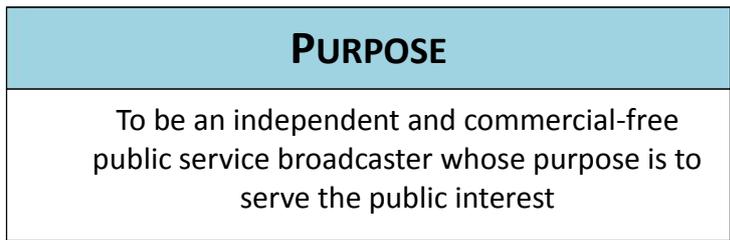
3 FINANCIAL SUSTAINABILITY:

Despite being in an environment of static income, balancing the budget is still an essential requirement of our planning. This is now even more challenging, as not only do we need to maintain existing traditional radio services but also catch-up on some deferred expenditure and undertake new initiatives to succeed in the new multimedia world.

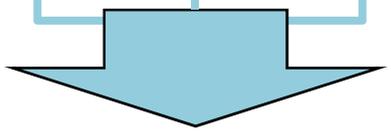
KEY OBJECTIVES FOR THE NEXT FIVE YEARS

To meet our strategic priorities we have set ourselves four key objectives over the next five years.

1	MULTIMEDIA APPROACH TO GROW OUR AUDIENCE TO ONE MILLION PEOPLE PER WEEK
2	ENHANCED CAPABILITY
3	PERSONNEL DEVELOPMENT
4	FISCAL MANAGEMENT



STRATEGIC PRIORITIES



KEY OBJECTIVES 2015 – 2020

<p>AUDIENCE Use a multimedia approach to grow our audience to one million people per week.</p>	<p>CAPABILITY Transform Radio New Zealand into a modern multimedia organisation, taking advantage of new technology and business practices to operate as efficiently and effectively as possible, and provide staff with an environment that reflects a high-performingst media organisation in the 21st century.</p>	<p>PERSONNEL Review all our HR policies and procedures, terms and conditions, performance management systems, training and development programmes, to improve staff engagement and reflect modern business practices.</p>	<p>FISCAL MANAGEMENT Accept the 2015-2016 year as a necessary period of restructuring and modernisation that will result in a deficit situation but this should pave the way for a return to a breakeven operational result by the 2016-2017 year and beyond.</p>
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OUR PERFORMANCE MANAGEMENT FRAMEWORK

TO PROVIDE A MEANS OF MEASURING PROGRESS TOWARDS **OUR** STRATEGIC PRIORITIES AND **KEY** OBJECTIVES OUR PERFORMANCE TARGETS ARE AS FOLLOWS:

1. Transformation

- a) A MULTIMEDIA APPROACH TO GROW OUR AUDIENCE
- b) MODERNISATION OF OPERATIONS

MEASUREMENT 1(A) - MULTIMEDIA APPROACH TO GROW AUDIENCE:	2014-2015 (estimate)	2015-2016 (forecast)
We will use a multimedia approach to increase the number of New Zealanders we reach.		
<ul style="list-style-type: none"> o Maintaining our traditional radio listeners (Average weekly combined Radio New Zealand National and Concert cumulative audiences as measured by the Nielsen All New Zealand Radio Survey). 	485,000	500,000
<ul style="list-style-type: none"> o Increasing our online audiences (measured by Google Analytics) (average users/unique browsers per month) for: <ul style="list-style-type: none"> ▪ radionz.co.nz; and ▪ Thewireless.co.nz. 	400,000 30,000	600,000 50,000
<ul style="list-style-type: none"> o Increasing online consumption of audio content. (Average monthly audio requests). 	900,000	1,120,000
<ul style="list-style-type: none"> o Radio New Zealand International will grow its online audience (pageviews millions). 	1.98m	2.2m
<ul style="list-style-type: none"> o Radio New Zealand will maintain its Pacific Island radio audience through engagement with Pacific radio stations rebroadcasting its signal. 	17 stations covering an approximate listenership of 1.6m	17 stations covering an approximate listenership of 1.63m
<ul style="list-style-type: none"> o Growing our total number of people who utilise our services. (See Note 1) 	550,000	610,000

Note (1) - This is a new target designed to measure our total reach and impact – ie. how many people utilise at least one of our services at least once per week, regardless of what device or platform they use to do so. At present this measure requires merging research results from traditional radio surveys and newer online metrics. In their current forms these use different research methodologies, and therefore some assumptions and estimates are required when combining these results to measure this target. As audiences increasingly use a range of devices to access media content this is becoming a very important measurement of success and therefore over time we plan to develop new research methodologies designed specifically to measure this aspect.

MEASUREMENT 1(B) - MODERNISATION OF OPERATIONS:	2015-2016 (forecast)	
We will transform Radio New Zealand into a modern multimedia organisation, taking advantage of new technology and business practices to operate as efficiently and effectively as possible, and provide staff with an environment that reflects a high-performing media organisation in the 21 st century.		
o Premises.		o Improve the office environment for staff.
o Broadcast equipment and systems.		o Develop a replacement and update programme to ensure these are modern, efficient, best-practice systems.
o IT.		o Develop a replacement and update programme to ensure we are using modern and effective IT systems and equipment.
o Financial and reporting systems.		o Install improved systems to facilitate enhanced financial management and oversight.

2. OPTIMISE OUR CHARTER PERFORMANCE

The Radio New Zealand Charter defines the value we deliver to all New Zealanders and underpins everything we do. Our aim is to optimise our performance of achievement of the Charter objectives. We will measure our progress as follows:

- a) DIVERSITY OF OUR SERVICES
- b) ACCESSIBILITY TO OUR SERVICES
- c) OUR VALUE TO NEW ZEALANDERS

MEASUREMENT 2(A) - DIVERSITY OF OUR SERVICES:	2014-2015 (estimate)	2015-2016 (forecast)
Our programming will be wide-ranging.		
o Our listeners agree that Radio New Zealand broadcasts programmes of interest to a wide cross-section of New Zealanders (audience research).	At least 7 out of 10 listeners	At least 7 out of 10 listeners
o Our listeners agree that Radio New Zealand broadcasts programmes not generally found on other radio stations.		
o We will provide an international service (total number of hours of original Pacific programming).	2,476 hrs	2,476 hrs
o We will expand the amount of audio available via radionz.co.nz (cumulative total by year-end).	204,000 items 31,000 hrs	236,000 items 36,000 hrs

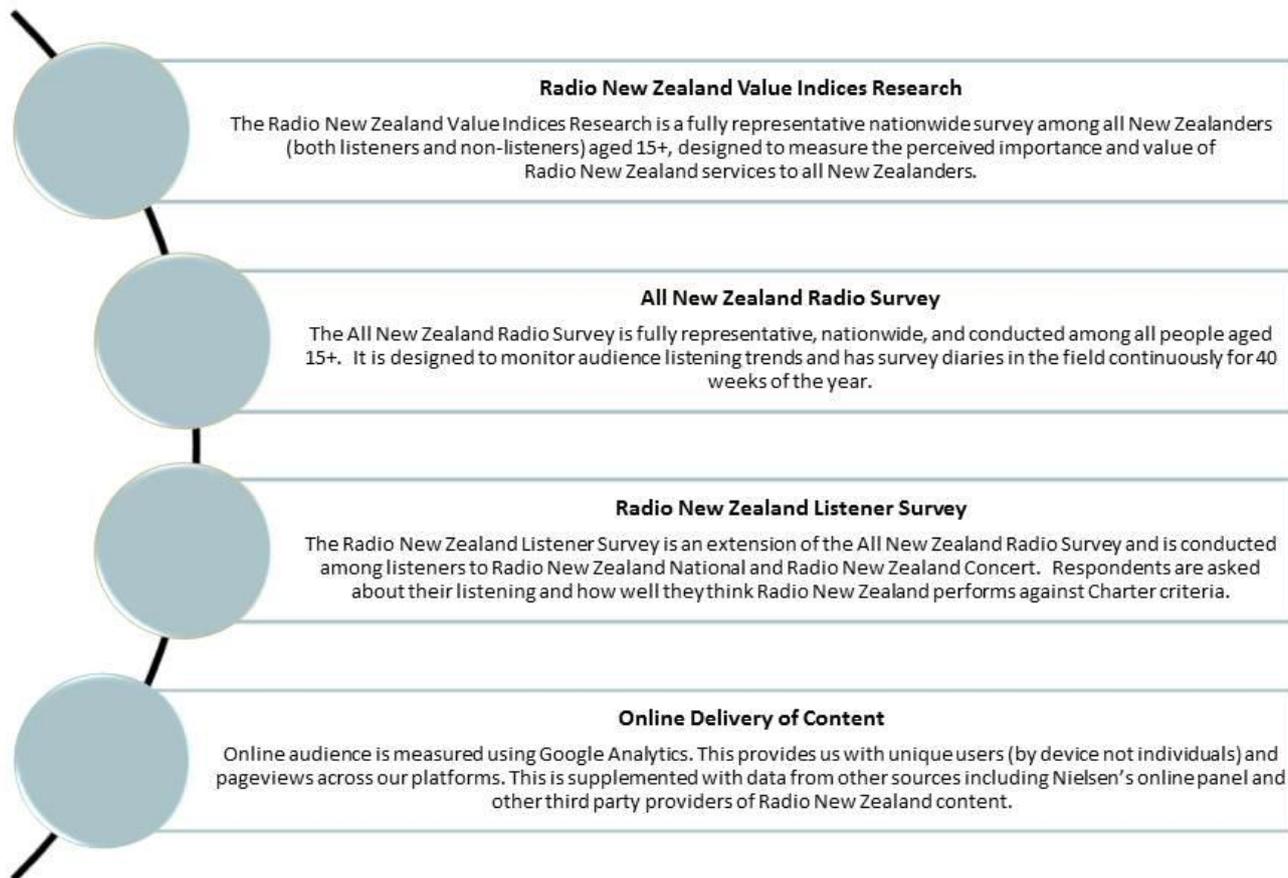
MEASUREMENT 2(B) - ACCESSIBILITY TO OUR SERVICES:	2015-2016 (forecast)
Our services will be accessible	Through a range of traditional radio services and new technologies and devices.
<ul style="list-style-type: none"> o to New Zealanders; and 	
<ul style="list-style-type: none"> o to the Pacific. 	

MEASUREMENT 2(C) - OUR VALUE TO NEW ZEALANDERS:	2014-2015 (estimate)	2015-2016 (forecast)
We will provide services that satisfy our audiences.	At least 7 out of 10 listeners	At least 7 out of 10 listeners
<ul style="list-style-type: none"> o Radio New Zealand National listeners' satisfaction with Radio New Zealand National programming (listeners who responded - very satisfied or quite satisfied). 		
<ul style="list-style-type: none"> o Radio New Zealand Concert listeners' satisfaction with Radio New Zealand Concert programming (listeners who responded - very satisfied or quite satisfied). 		
We will be valued by New Zealanders.	At least 7 out of 10 New Zealanders	At least 7 out of 10 New Zealanders
<ul style="list-style-type: none"> o New Zealanders agree Radio New Zealand provides a valuable service to New Zealanders (value indices research). 		
<ul style="list-style-type: none"> o New Zealanders agree it is important for New Zealand to have a public service broadcaster. 		

3. FINANCIAL SUSTAINABILITY

MEASUREMENT 3(A) - Our FINANCIAL SUSTAINABILITY:	2015-2016 (forecast)
We will manage our financial resources to efficiently and effectively deliver our requirements.	See Projected Financial Statements
<ul style="list-style-type: none"> o We will achieve our budgeted financial projections. 	

RADIO NEW ZEALAND'S AUDIENCE AND RESEARCH MEASUREMENT METHODOLOGIES



RADIO NEW ZEALAND LIMITED – PROJECTED FINANCIAL STATEMENTS

RADIO NEW ZEALAND

FORECAST 2015 AND BUDGET PLAN 2016, 2017 and 2018 - FINANCIAL MANAGEMENT

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

GROUP	30 JUNE	30 JUNE	30 JUNE	30 JUNE
	2015	2016	2017	2018
	\$000	\$000	\$000	\$000
	F'CAST	BUDGET	F'CAST	F'CAST
INCOME				
Revenue from the Crown	35,084	35,513	35,513	35,513
Other revenue	3,225	2,596	2,620	2,671
Interest income	412	420	400	400
	<u>38,721</u>	<u>38,529</u>	<u>38,533</u>	<u>38,584</u>
EXPENDITURE				
Personnel costs	24,101	23,461	23,022	23,031
Depreciation & amortisation	2,786	2,546	2,854	2,847
Other	13,528	12,937	12,642	12,700
	<u>40,415</u>	<u>38,945</u>	<u>38,519</u>	<u>38,579</u>
OPERATING SURPLUS / (DEFICIT)	(1,694)	(416)	15	5
Non-recurring Items	827	(500)	0	0
Corporate taxation	0	0	0	0
TOTAL COMPREHENSIVE REV & EXPS	<u>(\$867)</u>	<u>(\$916)</u>	<u>\$15</u>	<u>\$5</u>

FORECAST 2015 AND BUDGET PLAN 2016, 2017 and 2018 - FINANCIAL MANAGEMENT

PROSPECTIVE BALANCE SHEET

GROUP	30 JUNE 2015 \$000 F'CAST	30 JUNE 2016 \$000 BUDGET	30 JUNE 2017 \$000 F'CAST	30 JUNE 2018 \$000 F'CAST
<u>Public Equity</u>				
Balance at the beginning of year	53,146	52,279	51,364	51,378
plus Total Comprehensive Revenue & Expenditure	(867)	(916)	15	5
Balance at the end of the year	\$52,279	\$51,364	\$51,378	\$51,383
CURRENT ASSETS				
Cash & cash equivalents	163	163	163	163
Investments (Term Deposits)	11,570	7,878	7,598	8,101
Account receivables & prepayments	330	248	249	251
Total Current Assets	12,064	8,289	8,011	8,515
less CURRENT LIABILITIES				
Accounts payable & accruals	(1,247)	(1,164)	(1,167)	(1,170)
Employee entitlements	(1,705)	(1,283)	(1,283)	(1,283)
Provisions	(945)	(945)	(945)	(945)
Preference shares	(4,120)	(4,120)	(4,120)	(4,120)
Total Current Liabilities	(8,017)	(7,511)	(7,514)	(7,517)
WORKING CAPITAL	4,047	778	496	998
plus NON CURRENT ASSETS				
Property, plant & equipment	46,574	48,328	48,124	47,427
Intangible assets	3,957	4,557	5,057	5,257
less NON CURRENT LIABILITIES	(2,299)	(2,299)	(2,299)	(2,299)
NET ASSETS	\$52,279	\$51,364	\$51,378	\$51,383

RADIO NEW ZEALAND

FORECAST 2015 AND BUDGET PLAN 2016, 2017 and 2018 - FINANCIAL MANAGEMENT

PROSPECTIVE STATEMENT OF CASHFLOWS

	30 JUNE 2015 \$000 F'CAST	30 JUNE 2016 \$000 BUDGET	30 JUNE 2017 \$000 F'CAST	30 JUNE 2018 \$000 F'CAST
GROUP				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash will be provided from:				
NZOA, the Crown, and other income	38,580	38,192	38,132	38,182
Interest received	416	420	400	400
Cash will be disbursed to:				
Payments to employees & suppliers	(37,656)	(37,405)	(35,661)	(35,729)
Interest expense	0	0	0	0
Net Cash from operating activities	1,340	1,207	2,870	2,853
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash will be provided from:				
Proceeds from the sale of assets	0	0	0	0
Cash will be disbursed to:				
Purchase of non current assets	(2,500)	(4,900)	(3,150)	(2,350)
Net Cash from investing activities	(2,500)	(4,900)	(3,150)	(2,350)
CASHFLOWS FROM FINANCING ACTIVITIES				
Cash will be provided from:				
Investments	0	0	0	0
Cash will be disbursed to:				
Investments	0	0	0	0
Net Cash from financing activities	0	0	0	0
NET INCREASE/(DECREASE) IN CASH	(1,160)	(3,693)	(280)	503
plus Opening cash as at 1 July	12,894	11,734	8,041	7,761
CASH & CASH EQUIVALENTS AT YEAR END	\$11,734	\$8,041	\$7,761	\$8,265

PROSPECTIVE STATEMENT OF ACCOUNTING POLICIES

for the year ending 30 June 2016

A Reporting Entity

Radio New Zealand Limited is a Crown entity in terms of the Crown Entities Act 2004. The company is wholly owned on behalf of the Crown by the two Shareholding Ministers, the Minister Responsible for Radio New Zealand and the Minister of Finance. Radio New Zealand Limited is a company registered under the Companies Act 1993.

The group consists of the consolidated activities of Radio New Zealand Limited and its subsidiary Sound Archives/Ngā Taonga Kōrero Limited which is 100% owned. Sound Archives/Ngā Taonga Kōrero Limited was incorporated on August 1998 and has operated the archive since 1 October 1998 but in the current forecasts is not operating.

Radio New Zealand is a Public Benefit Entity (PBE) and as such the potential conflict between the pursuit of core public service broadcaster objectives set out in Radio New Zealand's Charter and more commercial company objectives is minimised.

Government and Shareholding Ministers have confirmed and strengthened Radio New Zealand's role as a public service broadcaster and in that context have removed commercial and profit-making imperatives while still insisting on sound financial management.

B Basis of Preparation

These forecast financial statements have been prepared in accordance with New Zealand generally accepted account practice. They have been prepared in accordance with Tier 1 PBE Standards including PBE FRS 42 prospective Financial Statements.

These prospective financial statements have been prepared to comply with the Crown Entities Act 2004 and may not be appropriate for purposes other than complying with the requirements of this Act.

The purpose for which these prospective financial statements of Radio New Zealand Limited have been prepared is for their inclusion in the Radio New Zealand Statement of Performance Expectations for the year ending 30 June 2016.

C Statement of Accounting Policies

The financial statements are presented in New Zealand dollars and the functional currency of Radio New Zealand is New Zealand dollars.

I Basis of Consolidation – Purchase Method

The consolidated financial statements include the holding company and its subsidiary. The subsidiary is accounted for using the purchase method.

II Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

III Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

IV *Accounts Receivable*

Accounts receivable are stated at expected fair value and measured at amortised cost less any provision for impairment.

V *Cash and Cash Equivalents*

Cash and cash equivalents in the balance sheet comprises cash at bank, in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

VI *Non-Current Assets*

Property, plant and equipment are stated at fair value, including library and archival collections. Land and Buildings have been revalued in the prospective financial statements. A formal valuation of Land and Buildings was completed in the year ended 30 June 2014.

Library collections are reviewed to fair value at least every five years.

The results of revaluing library and archival collections are credited or debited to an asset revaluation reserve. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Statement of Financial Position. To the extent that a revaluation gain reverses a loss previously charged to the Comprehensive Statement of Revenue and Expense, the gain is credited to the Comprehensive Statement of Revenue and Expense.

Other non-current assets such as prepayments are recorded in Radio New Zealand's Statement of Financial Position. These are payments received for services in one period but are recognised in the Statement of Financial Position in future periods.

Impairment of assets

At each balance sheet date, Radio New Zealand assesses whether there is any objective evidence that any group of non-current assets is impaired. Any impairment losses are recognised in the Comprehensive Statement of Revenue and Expense.

VII *Depreciation and Amortisation*

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives of major classes of assets have been estimated as follows:

Buildings	20 to 40 years
Leasehold improvements	Term of lease
Plant and equipment	5 to 20 years
Motor vehicles	5 years
Computer hardware equipment	3 to 5 years
Furniture, fittings and other	5 to 10 years
Library books and music collection	10 to 15 years

Capital work in progress is not depreciated. The total cost of a project is transferred to the relevant fixed asset account when it is completed and begins its productive life. It is then depreciated over its estimated economic life.

VIII *Intangible Assets*

Software, both acquired and developed, is included under intangible assets. Also under this category are capital contribution payments made to suppliers for co-siting rights which relate to future periods in accordance with the contractual terms.

Archival collections are reviewed to fair value at least every five years

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The sound archive collection will not be amortised as it is categorised as a heritage asset and as such is not normally amortised.

The useful lives of major classes of assets have been estimated as follows:

Computer software	2 to 5 years
Capital contributions	Term of contract
Sound archive collection	Infinite

IX	<i>Associates</i>
	Radio New Zealand is a party to the formation of Freeview Limited, a joint venture company formed to provide free to air digital broadcasting in New Zealand. The investment is accounted for using the equity method of accounting.
	<i>Redeemable Preference Shares</i>
	Redeemable preference shares held by the Government in Radio New Zealand are to be repayable at the option of the holder and are classified as a liability in the statement of financial position.
X	<i>Employee Entitlements</i>
	Provision is made for the company's liability for annual and long service leave. Annual leave is calculated on an actual entitlement basis at average current rates of pay over the past year in accordance with the Holidays Act 2003, whilst the long service leave provision is calculated on an actuarial basis. A provision for sick leave is not provided for as Radio New Zealand does not carry forward sick leave into future periods.
XI	<i>Provisions</i>
	Radio New Zealand recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount.
	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.
XII	<i>Superannuation schemes</i>
	Obligations for contributions to KiwiSaver and the National Provident Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Income Statement as incurred.
XIII	<i>Leases</i>
	<i>Finance Leases</i>
	Radio New Zealand has no finance leases.
	<i>Operating Leases</i>
	Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred. Radio New Zealand leases its motor vehicles and the majority of its premises.
XIV	<i>Financial Instruments</i>
	Radio New Zealand is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the Income Statement. All financial instruments are shown at their fair value.
XV	<i>Cash Flow Statement</i>
	Cash and cash equivalents means current bank accounts and demand/call deposits.
	Operating activities are those activities relating to the purchase and supply of goods and services.
	Investing activities are those activities relating to the acquisition and disposal of non-current assets.
	Financing activities comprise those activities that change the equity and debt capital structure of the company.
XVI	<i>Foreign Currency Transactions</i>
	Foreign currency transactions are converted into New Zealand dollars at the spot rate at the date of the transaction. These transactions are settled immediately; consequently no exchange gain or loss is recognised. Radio New Zealand also enters into foreign exchange contracts (FECs) to cover significant overseas purchases. These are defined as financial derivatives under PBE standards and the fair value of FECs are determined on the basis of quoted market rates.

XVII Borrowing Costs

Radio New Zealand has a credit facility arrangement with its banker. Costs relating to the drawdown of this facility are recognised in the Income Statement. No costs are attributed to the acquisition, construction or production of property, plant and equipment or other qualifying assets.

XVIII Revenue (Crown and Other Revenue)

Radio New Zealand Limited derives revenue from the Government through NZ On Air and from the Ministry for Culture and Heritage for specific purposes as outlined in its Charter and Statement of Intent. Other revenue is derived from generating activities and interest from bank deposits. All revenue is measured at the fair value of the consideration receivable. A small portion of funding from NZ On Air may be classified as non-exchange revenue.

XIX Cost Allocation

Radio New Zealand Limited derives the net cost of service for each significant activity by using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity and usage information.

Criteria for direct and indirect costs

“Direct costs” are those costs directly attributable to a specific key output activity.

“Indirect costs” are those costs which are not directly attributable to a specific output activity.

Cost drivers for allocation of indirect costs

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage of broadcasting infrastructure services and equipment. Business infrastructure costs are allocated according to the number of staff in each cost centre. Occupancy costs are allocated in proportion to the cost of floor area occupied.

D Changes in Accounting Policies

There are changes in accounting policies from those adopted in the audited financial statements for the year ended 30 June 2014. NZIFRS applied in 2014 and have been replaced by PBE standards for the year ending 30 June 2015.

E Significant Assumptions

The following significant assumptions underpin the prospective financial statements:

- Government will continue to fund Radio New Zealand’s core activities in the prospective year and for the following two planning years at least to the levels indicated in the statement. It is therefore expected that the nature of the operations of Radio New Zealand will not change significantly;
 - Shareholding Ministers will not require Radio New Zealand to pay a dividend on their shareholding in the company. This has been confirmed by the Minister of Broadcasting for the 2015-2016 income year and is expected to apply for the foreseeable future.
 - there will be no withdrawal of capital by Shareholding Ministers;
 - the prospective financial statements are based on estimates and forecasts, the effect of which may result in the actual financials varying from the information presented, and these variations may be material; and
 - the statements have been prepared on a going-concern basis.
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